

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Bay State Gas Company

D.T.E. 06-31

**ATTORNEY GENERAL'S SECOND SET OF
DOCUMENT AND INFORMATION REQUESTS**

- AG-2-1 Please confirm that the Department of Telecommunications and Energy has the authority under § 1265 of the Energy Policy Act of 2005, Pub. L. 109-58, to order the production of books, records, accounts and memoranda of holding companies and affiliates.
- AG-2-2 Please confirm that § 1265 of the Energy Policy Act of 2005 reads as follows:

STATE ACCESS TO BOOKS AND RECORDS.

(a) IN GENERAL.--Upon the written request of a State commission having jurisdiction to regulate a public-utility company in a holding company system, the holding company or any associate company or affiliate thereof, other than such public-utility company, wherever located, shall produce for inspection books, accounts, memoranda, and other records that--

- (1) have been identified in reasonable detail in a proceeding before the State commission;
- (2) the State commission determines are relevant to costs incurred by such public-utility company; and
- (3) are necessary for the effective discharge of the responsibilities of the State commission with respect to such proceeding.

(b) LIMITATION.--Subsection (a) does not apply to any person that is a holding company solely by reason of ownership of one or more qualifying facilities under the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2601 et seq.).

(c) CONFIDENTIALITY OF INFORMATION.--The production of books, accounts, memoranda, and other records under subsection (a) shall be subject to such terms and conditions as may be necessary and appropriate to safeguard against unwarranted disclosure to the public of any trade secrets or sensitive commercial information.

(d) EFFECT ON STATE LAW.--Nothing in this section shall preempt applicable State law concerning the provision of books, accounts, memoranda, and other records, or in any way limit the rights of any State to obtain books, accounts, memoranda, and other records under any other Federal law, contract, or otherwise.

(e) COURT JURISDICTION.--Any United States district court located in the State in which the State commission referred to in subsection (a) is located shall have jurisdiction to enforce compliance with this section.provide copies of all discovery responses issued in response to requests from other participants in this proceeding.

If the Company does not confirm this text, produce a copy of § 1265 of the Energy Policy Act of 2005.

- AG-2-3 Please state whether the Company uses a system of monthly, quarterly or yearly budgeting. For each of the years 1999-2006, please identify and produce a copy of the these budgets for each department and cost category for the Company.
- AG-2-4 In which department(s) and cost categories included in the response to AG-2-3 was the Company successful in reaching its budget targets?
- AG-2-5 Did any Company employee receive any bonus or incentive compensation for meeting the budget targets described in the response to AG-2-4? If yes, please identify the employee, the amounts of the bonus or incentive compensation, and the cost category associated with the award.
- AG-2-6 Provide the name, title and employer of management and executive level employees responsible for recommending and approving budget targets for the Company in 1999-2006. Include in this response Company employees, as well as affiliate and parent company employees.
- AG-2-7 For each of the years 2000 to 2005, please identify and produce a copy of the business plan for payment of the debt and related obligations to acquire Colombia Energy Group. If no business plan was created to pay the debt and related obligations, identify and produce all reports, memos or other documents that show the progress payment of the debt and related obligations.
- AG-2-8 Were any of the budget targets in the budgets produced in response to AG 2-3 set, in whole or in part, as part of a plan to satisfy debt and related obligations incurred in the acquisition of the Colombia Energy Group? If yes, please identify the biget targets.
- AG-2-9 Produce copies of all Value Line reports for NiSource since its acquisition of the Colombia Energy Group.

AG-2-10 Please refer to the Company's response to DTE-BSG-1-6, which reads:

DTE-BSG-1-6 Refer to BSG-1, at 17. Please provide all studies, analyses, etc. supporting the Company's contention that the acquisition of Columbia Energy Group resulted in stable prices for the Company's ratepayers.

RESPONSE: Mr. Bryant's comment on lines 6-8 of Exhibit BSG-1, at 17 related to price stability for its customers following NiSource's acquisition of the Columbia Energy Group were referring to non-gas prices. The evidence supporting this contention is inherent in the fact that Bay State did not file for a base rate increase following this acquisition, which occurred in 1999, until May 2005. Therefore, due to the aggressive cost management techniques employed by Bay State and NiSource during the period between 1999 and 2005, Bay State's customers enjoyed stable prices (i.e., base rates).

Since the Company was under a base rate freeze between 1999 and 2004 ordered by the Department in DTE 98-31, explain how "aggressive cost management techniques employed by Bay State and NiSource" resulted in stable prices for customers instead of the rate freeze? Under what circumstances could the Company have filed a based rate case during the rate freeze period?

AG-2-11 Produce all e-mails between Bay State, its holding company, parent company or service company regarding cost categories and the budget targets identified in response to AG-2-4.

AG-2-12 In which department(s) and cost categories included in the response to AG-2-3 was the Company not successful in reaching its budget targets?

AG-2-13 Produce all e-mails between Bay State, its holding company, parent company or service company regarding cost categories and the budget targets identified in response to AG-2-12.

Dated: August 4, 2006